

MEMORANDUM

TO: Interested parties

FROM: Jeanne De Sa, Eric Rollins, and Robert Stewart, CBO

DATE: December 10, 2007

RE: Cost of maintaining SCHIP programs in 2008

We have received numerous requests for an estimate of the additional funding required to maintain the State Children's Health Insurance Program (SCHIP) at currently projected levels of enrollment for 2008. We currently estimate that Congress would need to provide an additional \$1.4 billion in funding to maintain SCHIP programs at those levels, and that the net federal cost of providing that funding would be about \$800 million.

Our estimate of the additional funding required to maintain existing SCHIP programs is based on the \$5.0 billion in funding for 2008 that CBO assumes in its baseline projections, the amount of funding from previous years that remains available, and states' projections of spending in 2008. (The continuing resolution provided funding at an annual level of \$5.0 billion, but limited states' use of the funds to the period ending December 14, 2007.) Without additional funding, but assuming that states would be able to use the funding in the continuing resolution for the entire fiscal year, we anticipate that a total of 21 states will exhaust their SCHIP funding in 2008, and that the first states to exhaust their funding will do so in March 2008.

Under current law, we expect that states that exhaust their SCHIP funds will respond in part by expanding Medicaid eligibility. Doing so would allow states to continue receiving federal matching funds, albeit at a less-favorable matching rate. The provision of additional SCHIP funding would keep states from expanding Medicaid eligibility, and thus generate about \$600 million in savings in the Medicaid program. As a result, the net federal cost (\$800 million) of providing funding to maintain existing SCHIP programs is lower than the amount of additional SCHIP funding required (\$1.4 billion).